Canadian Life & Health Insurance Association
Association canadienne des compagnies d'assurances de personnes

April 10, 2024

Ms. Amélie McDonald
Legal Counsel
Financial and Consumer Services Commission
85 Charlotte Street, Suite 300
Saint John, N.B. E2L 2J2
By email: Amelie.McDonald@fcnb.ca

Cc: Robert Picard, Compliance Officer
Robert.Picard@fcnb.ca

Re: New Brunswick Financial and Consumer Services Commission's (FCNB's) Proposed Title Protection Rules for Credentialing Bodies

Dear Ms. McDonald,

On behalf of the Canadian life and health insurance industry, we are pleased to provide comments on FCNB's draft Rules TPA-001 and TPA-002 fees which will establish the criteria for Financial Advisor (FA) and Financial Planner (FP) credentialing bodies.

The industry continues to believe it is important to regulate how someone holds themselves out when they are in an advice-giving role and supports the adoption of a harmonized approach to titling protection across Canada. The industry supports and appreciates that in drafting Rules TPA-001 and TPA-002, FCNB has substantially aligned with the rules in Ontario.

We would take this opportunity to raise some key considerations that we request FCNB pay particular attention to as they continue to implement titling protection in New Brunswick. These were first raised during the consultation on New Brunswick's *Financial Advisors and Financial Planners Title Protection Act* (New Brunswick's Title Protection Act) and remain critically important today.

Firstly, as FCNB develops educational requirements for obtaining the credentials for FAs and FPs, we would encourage the recognition of the substantial training received by life insurance agents. Any curriculum and testing set by credentialing bodies should not require life insurance agents to repeat training they have already completed.

Secondly, draft Rules TPA-001 and TPA-002 should not restrict the use of the generic term "advisor" which we anticipate will still be used to describe individuals offering product-specific advice, providing that the nature of the advice is clearly stated.

We expand on these considerations below.

Avoid Duplicative Training

The core competencies on which credentialing bodies must assess individuals set out in sections 8 and 9 of the FCNB's draft Rule TPA-001 are general and high-level in nature. Life licensees, and other financial services licensees (e.g. mutual funds) already receive substantial training in these competencies, particularly those that are related to credentialling for FAs.

Therefore, we recommend that any additional training and examinations bridge an identified training gap and build on existing training. Otherwise, the FA title, which indicates that the licensee has a greater knowledge, could be misleading. Not only would this approach reduce the risk of duplicative training it also ensures consumers are protected and understand the nature of the advice they will receive.

In our response to the consultation on New Brunswick's Title Protection Act, we provided some possible approaches to take into consideration to avoid duplication:

- **Existing Licence/s**: There should be consideration of whether holding one or more existing licences exempts someone from certain requirements to attain a credential or use the FA title. For reference, Appendix A is an excerpt from the CLHIA's submission to Ontario's "Financial professionals title protection rule and guidance first consultation" outlining where we see alignment between LLQP training and FA qualifications from the rules in Ontario.
- **Bridging Courses**: FCNB could consider giving those who have already completed the LLQP the opportunity to complete a bridging course which would allow them to use the FA title.
- **CISRO updating the LLQP course modules**: As a longer-term step, we would suggest that the existing LLQP modules be updated and have material added such that completing the LLQP licensing process would entitle someone to call themselves an FA.

Avoid restricting the "Advisor" title

We anticipate that the term advisor will still be used to describe those who provide product-specific advice (e.g. life insurance, general insurance and/or mutual funds). Therefore, these rules should not restrict the use of generic terms like "advisor", so long as the services provided and the nature of advice that will be received are clear. For example, the term advisor could still be used in the context of life and health insurance (e.g. insurance advisor or similar term) which would be understood to offer advice specifically related to life and health insurance products, evaluating insurance needs, and recommending suitable products.

Conclusion

Thank you for considering our feedback throughout this process. If you would like us to discuss any of the issues we have raised, we would be pleased to meet at your convenience.

Sincerely,

Luke O’Connor
Assistant Vice President, Market Conduct Policy and Regulation

About the CLHIA

The CLHIA is a voluntary association whose member companies account for 99 per cent the life and health insurance business in Canada. These insurers are significant contributors to New Brunswick and its economy. They provide financial security to about 620,000 New Brunswickers and make over $2.1 billion in benefit payments (of which 90 per cent goes to living policyholders as annuity, disability, supplementary health or other benefits with the remaining 10 per cent going to life insurance beneficiaries). In addition, life and health insurers have more than $15 billion invested in New Brunswick's economy. A large majority of life and health insurance providers are licensed to operate in New Brunswick, with four headquartered in the province.

Appendix A

Below is an excerpt from the CLHIA's submission to Ontario's "Financial professionals title protection rule and guidance first consultation" outlining training to become life licenced explaining how it coincides with advisor qualifications.

"The CISRO training materials follow the four modules of the LLQP examination:

- Life Insurance
- Segregated Funds and Annuities
- Accident and Sickness Insurance
- Ethics and Professional Practice (Common Law) or Ethics and Professional Practice (Civil Code - Quebec)

Below we have provided a few examples of how the training aligns with FSRA's proposed core baseline competencies:

- **General Financial Services Knowledge:** Overall, the CISRO LLQP exam preparation material provides a detailed overview of financial services in Canada. Each of the following subcategories is studied through a lens of risk management and how Canadians can mitigate risks with insurance. The training covers FSRA's three subsections as follows:

  - **Financial Services Marketplace:** Training covers a range of financial products. This includes detailed information about life insurance products, mutual funds, real estate, stocks, bonds, and other wealth accumulation vehicles where consumers may take on insurable risk. This training is further buttressed by information on key investing concepts, to support a licensee's understanding of market economics and how this impacts financial risk.

  - **Fundamentals of Economics:** Training is provided on macroeconomic concepts such as inflation risks and currency risk. In terms of microeconomics, the training covers the value of how different type of funds are determined [ex. equity, balanced, income]. The training further includes key concepts such as investing, the time value of money, and annuitization. Overall, these topics are at the core of understanding risk profiling for segregated funds and other life insurance products that have an investment component.

  - **Regulatory environment:** The ethics module provides an overview of Canada's financial regulatory framework. Chapter 1 reviews the "Legal Framework" governing life insurance. It explains what an insurance contract is, how it is formed, who can enter a contract, and its validity. Further explanation and training is provided about the pieces of legislation that are important to an advisor's practice: the *Personal Information Protection and Electronic Documents Act (PIPEDA)*, *Proceeds of Crime (Money Laundering) and Terrorist Financing (PCMLTFA)*, *Canadian Anti-Span Legislation (CASL),* and more. Additionally, Chapter 4 examines the specific "Rules and Principles

Governing the Activities of Life Insurance Agents and Accident & Sickness Insurance Agents". This section also explains who regulates licensees in each of the provinces, and reviews federal regulators, consumer groups, regulatory colleges [CCIR/CISRO], and other parties that support the oversight in the insurance sector. Overall, each section of the training explains the legal obligations of licensees, and expectations such as those included in the CCIR/CISRO "Conduct of Insurance Business and the Fair Treatment of Consumers".

- **Ethics:** There is an entire training module specifically on ethics and advisor conduct. In addition, subject matter that relates to ethics is integrated throughout the curriculum. Examples of this training include: acting in good faith, managing or avoiding conflicts of interest, refraining from unfair practices, making clear disclosure, complying with codes of conduct, and responding to complaints.

- **Client Outcomes:** A large portion of the training is focused on client outcomes and sales suitability. To support the application of this training, the industry has also established best practices on sales suitability.[1] Below, we have summarized some examples from the CISRO training materials that demonstrate alignment with FSRA's competency profile:

  - **Gathering sufficient detailed personal and financial information about the client:** Advisors receive specific training about how to gather information about a client so that they can quantify risk. This includes examining family structure, the number of dependents, disabilities, employment, income, retirement timelines, taxes, debts, assets, business ownership and may other variables that are described in the CISRO materials. This information is then assessed by the advisor to determine what product will fit the client's personal situation.

  - **Confirm a Client's Risk Profile**: Advisors are trained to first quantify different kinds of risk that a client may experience against the cost of risk mitigation. For segregated funds, or life insurance products with investment components, advisors are also taught to understand the level of associated market risks, what each fund's level of volatility is, and how that relates to their client's comfort level with market risks.

  - **Establishing financial objectives, priorities and areas of need relevant to the scope of services being provided:** Similar to the other subject areas, this topic is covered in each of the product-specific sections of the CISRO material. Advisors are taught to aggregate numerous risk factors and provide advice based on each client's unique situation. One example is Chapter10 "Assessing the Client's Situation" where advisors are taught to assess someone's family situation [number of dependents], income, job stability, future earning potential, assets, business ownership , retirement expectations, debts, and existing insurance and other variables too numerous to mention. As well, in the context of permanent or term products the candidate is taught to assess priorities in the event of death. Regarding wealth products, advisors are taught to understand specific financial goals in terms of income, or investment time horizons.

[1] "The Approach to Needs Basked Sales Practices"

- **Periodic Review & Ongoing Service:** This topic can be found throughout the CISRO materials, particularly chapter 12 of the “Life insurance” section entitled “ongoing service”. This section provides training on updating, reviewing, amending, replacing, and many other components of ongoing service. Ongoing service also underpins all product training as there may be junctures were a client will need advice about an existing product or adjusting their coverage.

- **Providing Suitable Recommendations:** Significant training is provided to advisors throughout the course about how to make recommendations based on the “client outcomes” information that they have gathered. Specifically, consider chapter 11 “Recommending an Insurance Policy” that examines how to recommend a life insurance product based on a fact find and needs analysis. For example, one approach may be to insure against lost income. To do so, an advisor would need to consider variables such as other income, a client’s investments, taxes, the impact of inflation, and numerous other factors. Another approach is to identify “capital needs” that may arise due to death [e.g. final expenses, estate expenses, and estate equalization to name a few].

- **Technical Knowledge (KYP):** In order to provide accurate advice, advisors are given detailed technical training on life and health insurance products to ensure suitable recommendations are provided in respect of the client’s overall financial needs. However, someone who is life licenced needs to have a broad understanding of the financial sector. As described above, the LLQP training reflects this need. While the knowledge and advice provided is through a lens of insurance and risk mitigation, insurance advice requires a subsequent knowledge of many different financial products. For consumers, the purchase of insurance may be a first step in terms of considering their financial future. It may lead to them seeking advice from someone who is licenced in another area such as an advisor that is mutual fund licenced, or a financial planner that will be licenced under the new regime. As well, it is important to consider that advisors are trained about segregated funds which are investment products. This training includes how to assess a client’s risk level, different types of funds, and how to assess the marketplace for different funds. Additionally, advisors are trained on income replacement insurance products such as annuities, that require an understanding of different types of risk in a retirement planning context.

  - Using a product specific example, consider the detailed training that advisors receive about permanent life products that covers pricing options, death benefit options, investment components, the accumulating fund [UL policies], and differences between universal and whole life products.

    - To determine suitability of this product, the advisor is trained to consider the broader financial situation of the consumer. This includes how the product is integrated into their estate plan. Additionally, the advisor is trained to assess how this product impacts financial goals, and the tax implication it will have. Moreover, training on financial markets is needed to explain the investment component and assess broader suitability.

- Additionally, product-based training allows advisors to properly assess suitability. The advisor would be required to consider a range of insurance products in relation to the facts that they have gathered about the client. They would then share information about these products and identify those that are suitable. If a product is a sold, it is an industry best practice to summarize the advice they gave in a reason why letter.